Overconfident And Under-Aligned: Digital Experience Transformation Is Harder Than You Thought

Improve Digital Experience With An Omnichannel Platform And Measurement Of Key Metrics

FORRESTER®

Table Of Contents

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

FORRESTER®

Executive Summary

In order to win, convert, and build customer loyalty, organizations need to provide exceptional experiences across all channels and touchpoints. Though most firms have begun their digital customer experience (DX) journey, there is still a lot of ground to cover before they can deliver exceptional DX. Our study found that firms understand the need for exceptional DX, but their IT and line-of-business (LOB) teams are not aligned in their strategy, goals, or metrics.

There is a delicate balance to strike in allowing both IT and LOB teams to remain independent but to also be jointly connected in order to build collaboration and trust through the alignment of skills, budgets, and technology. Utilizing an omnichannel approach, or an open-content delivery platform, organizations can personalize their digital experiences, maximize the value of their existing content, and break down organizational silos to delight and engage their clients. Otherwise, teams will remain misaligned and struggle to deliver a standard of DX that will meet their customers' real-time needs.

In September 2018, IBM commissioned Forrester Consulting to evaluate how an omnichannel, open-content delivery platform will deliver world-class digital experiences (DX) to customers. Forrester conducted an online survey for 509 digital customer experience strategy decision makers in North America and Europe to explore this topic. We found that in most firms there is a disconnect between IT and LOB teams that causes tension within organizations — thereby holding organizations back from delivering a definable standard for the best DX possible.

KEY FINDINGS

› **IT and LOB teams are not aligning on strategy.** IT and LOB teams see the world through their own personal lens and as a result, they are not aligned on a single, unified DX strategy. IT is more confident in their technology's ability to deliver a DX that is better than their competition. Consequently, LOB teams are less confident — specifically, they are concerned with organizational silos and a lack of integrated systems and data.

› **Firms are measuring key metrics across the business at a surprisingly low frequency.** And therefore, they do not know what parts of the strategy are failing or succeeding. Metrics that drive strategic business outcomes are being measured at a surprisingly low frequency. Understanding and measuring key performance indicators, or metrics that drive strategic business outcomes, require an organizationwide change in both process and mindset.

› **Firms are taking too long to go from ideation to delivery.** The market is constantly changing, and customer expectations only become more complicated as time passes. The firms that can ideate and deliver quickly have a better chance of producing a standard of DX that will win, serve, and delight them. An open DX platform (DXP) better supports an aligned strategy by using existing systems to integrate, allowing for faster ideation. Superior experiences, which an open DXP will support, come from integrated content, data, and applications.

65% of firms have implemented a DX strategy and 63% have created an integrated DX platform.

61% of IT believe their firm has a considerably/completely integrated DX strategy, compared to 48% of LOB.

FORRESTER®

Ground Has Been Gained But There Is Still Room To Grow

Forrester Consulting first conducted a study on digital customer experience in 2015. In the 2015 DX study, we found that firms were just beginning their DX journey. Since then, firms have taken some key strides forward by implementing and expanding their DX strategy and creating and expanding a DX platform. However, the gap between teams continues to hold firms back from delivering world-class experiences. All too often, marketing and technology metrics aren't aligned, resulting in a mismatch of priorities and perception. Fifty-two percent of DX organizations indicated that slow time-to-market and lack of agility are their top obstacles to delivering successful customer-facing mobile and web experiences.[1] In surveying 509 digital customer experience strategy decision makers, we found that:
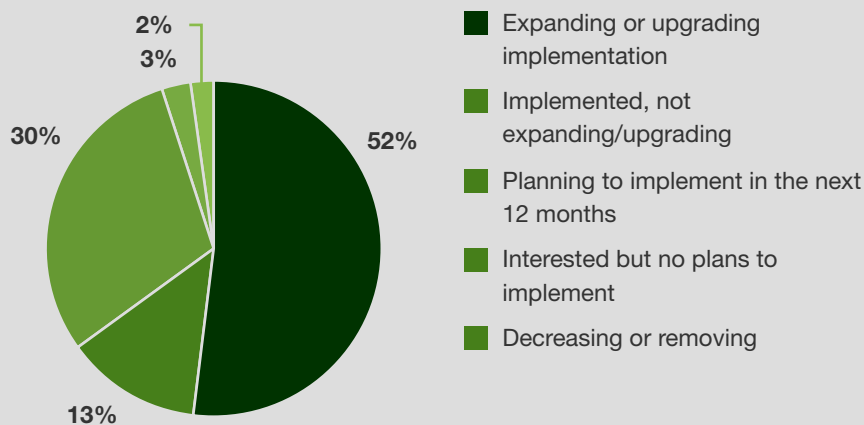
› **The journey to DX excellence has begun.** Many firms have implemented and are expanding their DX strategies using an integrated DX platform. However, over a third of firms are still in the planning phase of building out their strategy, and nearly 40% are still only planning or considering an integrated DX platform (see Figure 1). These firms risk falling behind their competition and losing customers to those that are further along with their DX integration journey.

26% of IT say their firm is expanding their DX journey, compared to only 16% of LOB.

Figure 1

"What are your company's plans when it comes to a digital customer experience strategy?"

- 52%
- 13%
- 30%
- 3%
- 2%

Legend:
- Expanding or upgrading implementation
- Implemented, not expanding/upgrading
- Planning to implement in the next 12 months
- Interested but no plans to implement
- Decreasing or removing

"What are your company's plans when it comes to creating an integrated digital customer experience platform?"
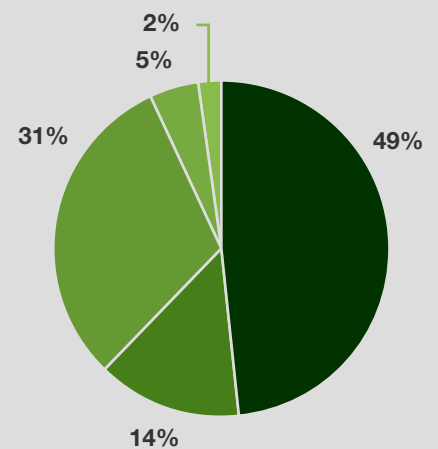
- 49%
- 14%
- 31%
- 5%
- 2%

Base: 509 professionals with responsibility for or influence over digital experience in NA and EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2018

FORRESTER®

› **There is a disconnect between IT and LOB teams.** It's no mystery that these two teams are seeing things from two different perspectives. Imagine the number six — now, depending on the angle from which you see this number, it could be either a six or a nine (see Figure 2). IT sees the number as a six, while LOB sees a nine. Neither reality is wrong, they're just two different perspectives. An example of this misalignment can be seen with 53% of IT rating their customer's DX better than their competition while only 42% of LOB teams agree. This makes enterprisewide integration and multichannel integration more critical than ever. A customer-centric perspective requires organizations to design the technology infrastructure around customer impact.[2]

Figure 2
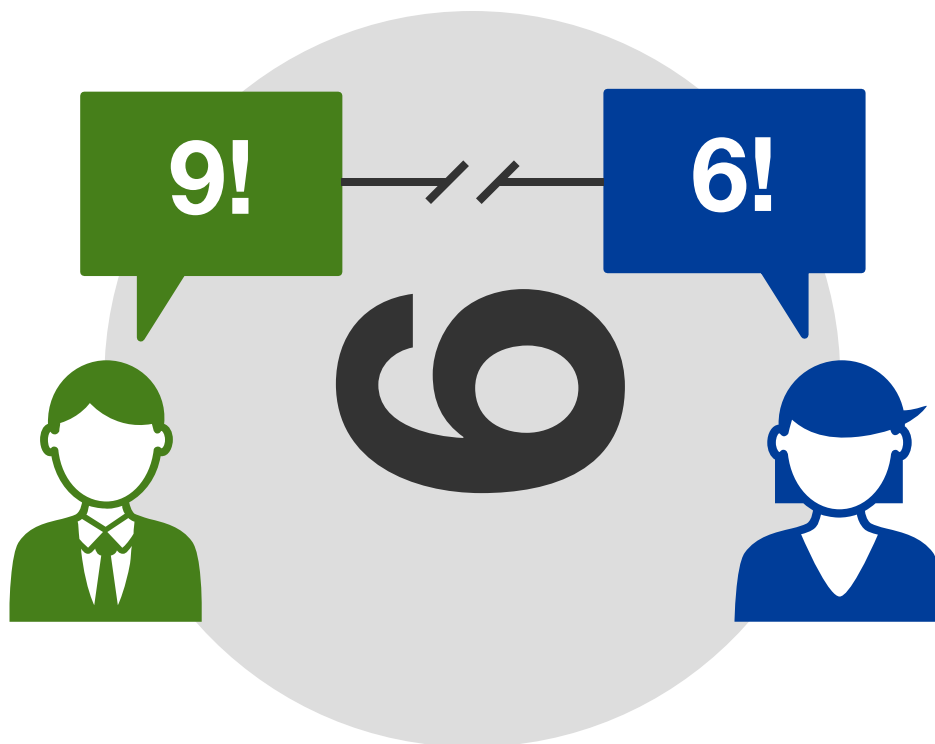
IT And LOB Misalignment Impacts Digital Experiences

Exceptional digital experience requires an integrated architecture of analytics, process/culture, technology, and content, as well as an ecosystem that supports customers, employees, and partners. This does not mean that IT or LOB should give up its autonomy; they must instead find opportunities to align their goals, systems, and responsibilities for DX.
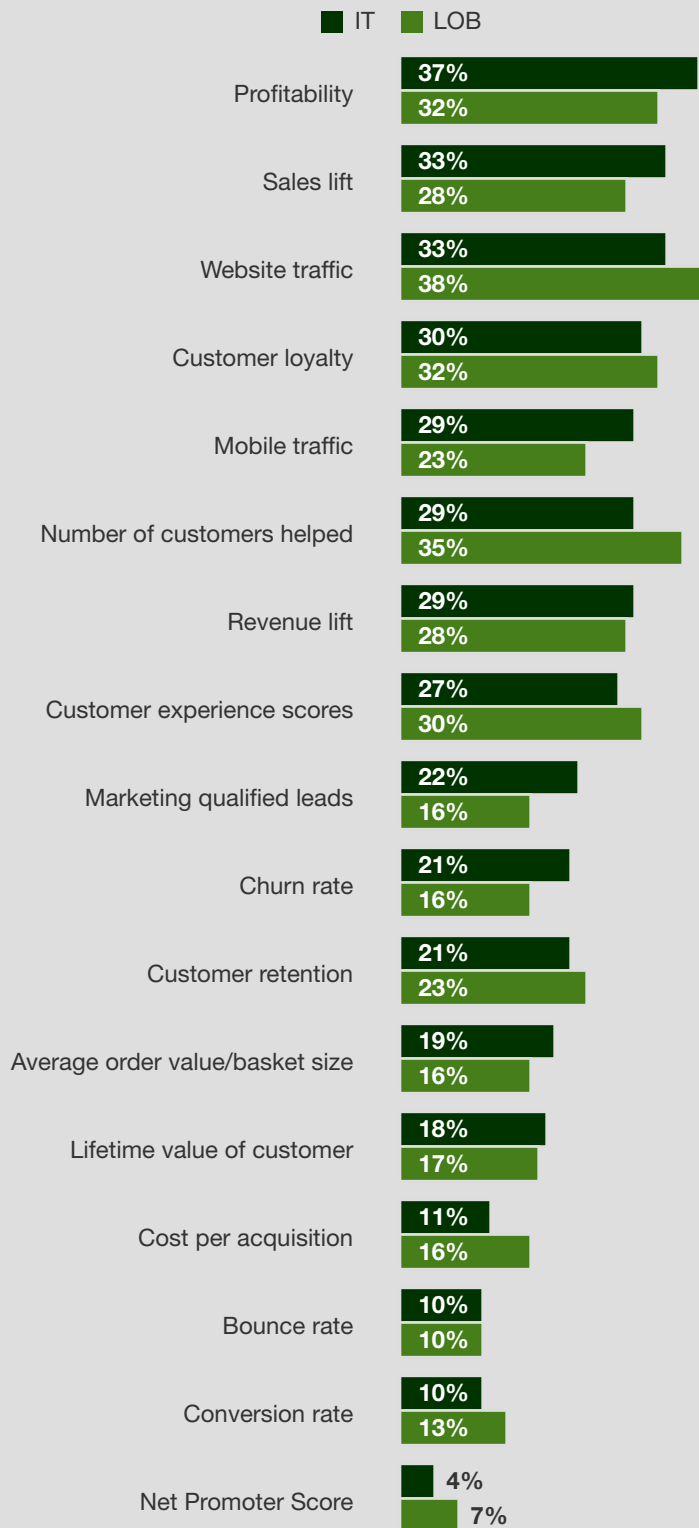
The study revealed the following challenges:

› **IT teams are more confident at delivering a better DX than the competition.** IT is much more confident than LOB that their organization is able to provide a better DX for their customers (internal and external). Over half (53%) of IT respondents say that they provide better DX to customers than their competitors. IT is also more confident in their ability to win, build, and convert customer loyalty, with 53% believing their organization does this very well compared to only 31% of LOB. This is another prime example of how perceptions for IT and LOB teams vary. This is not surprising, given that many IT professionals have a front-row seat to the reactions and growing pains of customers, colleagues, and even competitors, while LOB professionals do not share the same vantage point.

› **Yet, how do they know?** Measurement of key performance indicators (KPIs) is surprisingly low (see Figure 3), and there are disconnects between IT and LOB teams in what they measure. If firms are not measuring their performance, how can they know where they are compared to their competition, or what measures can be used to calibrate and improve DX? Many firms do not connect digital metrics to business outcomes. Measurement must provide insights about customer engagement that are relevant to the results. That takes both looking at multiple measurement types and asking the right questions. [3]

53% of IT rates their DX as better than their competition, compared to 42% of LOB.

Figure 3

"What metrics does your organization use to measure the success of your digital customer experiences?"

■ IT   ■ LOB

| Metric	IT	LOB
Profitability	37%	32%
Sales lift	33%	28%
Website traffic	33%	38%
Customer loyalty	30%	32%
Mobile traffic	29%	23%
Number of customers helped	29%	35%
Revenue lift	29%	28%
Customer experience scores	27%	30%
Marketing qualified leads	22%	16%
Churn rate	21%	16%
Customer retention	21%	23%
Average order value/basket size	19%	16%
Lifetime value of customer	18%	17%
Cost per acquisition	11%	16%
Bounce rate	10%	10%
Conversion rate	10%	13%
Net Promoter Score	4%	7%

Base: 509 professionals with responsibility for or influence over digital experience in NA and EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2018

FORRESTER®

Technology Priorities Often Don't Support Flexible Needs

Reliable, plentiful, and real-time customer data is necessary for analytics to shine, and content is a key feed to experience. So, it is surprising that respondents are investing much more heavily in experience and analytics software (both categories had 51% of respondents saying it was an investment priority), than their foundational partners with customer data software at 28% and content software at a paltry 14% (see Figure 4). Yet, when asked about the barriers to strategic goals like personalization, DX leaders cited a lack of data and content as core challenges.[4] Firms need to manage content and data as critical foundational elements that impact the entire digital experience. Build that foundation by understanding the systems you have in place today. You don't want to throw away everything you have invested in; an open platform is needed which leverages your current systems and integrates with both marketing technology and the IT infrastructure.

Figure 4

"What software categories are an investment priority (e.g., to upgrade, replace, or customize) in the next 12 months?"
(Please select up to three.)

| Experience 51% | Analytics 51% | Customer data 28% | Content 14% |
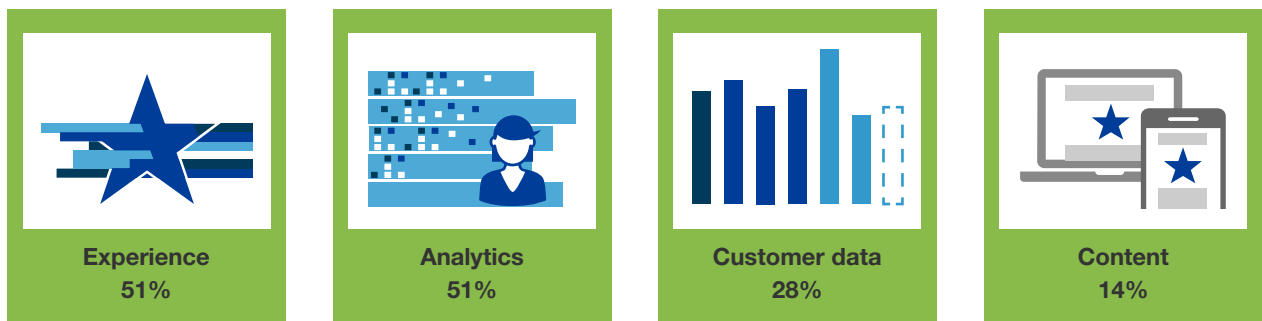
Base: 108 digital executives
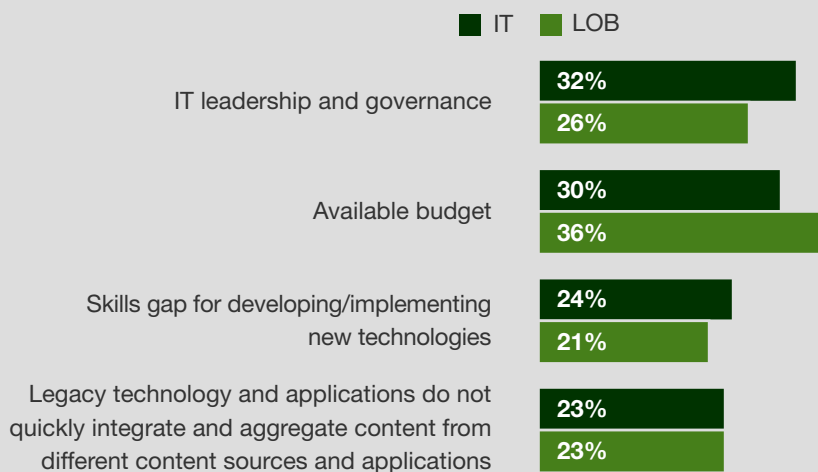Source: Forrester's Q1 2018 Global Digital Business And Experience Online Panel Survey

The study revealed the following challenges:

› **Content and data integration efforts fall short.** Today nearly a quarter of both IT and LOB teams struggle with legacy technology and applications which do not quickly integrate and aggregate content from different content sources and applications (see Figure 5). IT and LOB teams are both currently challenged by business processes that don't focus on an integrated customer experience. These challenges all stand in the way of a single view of customer data as well as creating a complete, distinct, and relevant experience for customers. Current efforts fall short in pulling together and granting access to all the information they have on customers.

› **Content ideation to content delivery is too slow of a process.** The lack of integration across systems and process is costing firms time when they move from content ideation to delivery. Internal silos and technology barriers create roadblocks. Forty-nine percent of IT teams and 57% of LOB teams agree that it takes one or more weeks to take content from ideation to delivery. Firms that can more quickly deliver content will gain a competitive advantage over their competitors. Successful firms who quickly adapt their strategy to meet customer needs across channels will quickly see benefits like increased CX, improved response times, improved ROI, and improved customer retention.

Figure 5

"Which of the following challenges/barriers have you faced, or do you anticipate facing as your organization integrates digital experience technologies and practices?"

IT ◼ LOB ◼

	IT	LOB
IT leadership and governance	32%	26%
Available budget	30%	36%
Skills gap for developing/implementing new technologies	24%	21%
Legacy technology and applications do not quickly integrate and aggregate content from different content sources and applications	23%	23%

Base: 509 professionals with responsibility for or influence over digital experience in NA and EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2018
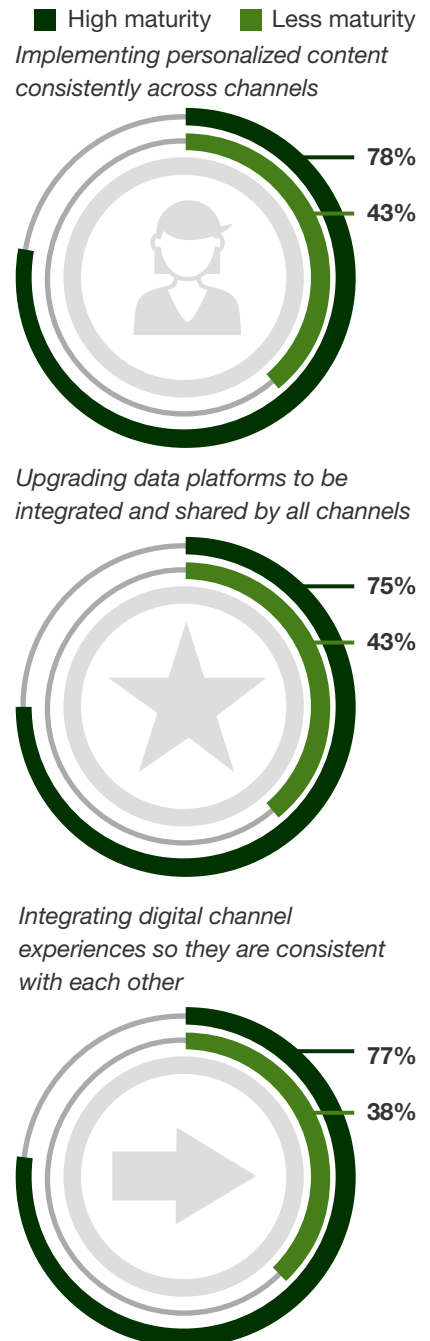
FORRESTER®

Digital Experience Maturity Leaders Have Taken Key Steps

Respondents who have implemented, or are expanding, their DX strategy and respondents who have implemented, or are expanding, the integration of their DXP were considered mature for this study. Regardless of their roles in IT or LOB, the firms who are mature have made key investments or have taken critical steps along the path to DX excellence. Those firms that are not as mature, or don't know how to proceed, can learn from these mature firms.

Mature firms are:

› **Investing strategically.** Across the board, mature firms are investing in improving the experience of employees and partners. Seventy-six percent of mature firms have implemented or are expanding their investment in improving overall channel/partner experiences, compared to 41% of less mature firms. Seventy-one percent of mature firms have implemented or are expanding their investment in enhancing the experience of their employees, compared to 47% of less mature firms. Mature firms are also nearly twice as likely as less mature firms to be investing in cognitive and AI capabilities (65% of mature firms compared to 35% of less mature firms).

› **Focusing on improvement.** Mature firms are staying focused on continual improvement. Eighty-one percent of mature firms are collecting and analyzing data from their DX to improve future interactions, compared to only 47% of less mature firms. A dedicated team — that is focused on improving DX across the entire organization — can help to bridge gaps and break down silos. This is why 71% of mature firms are creating a dedicated user/customer experience group, compared to only 42% of less mature firms. Further, mature firms are set to dismantle some of the more challenging aspects of exceptional DX by turning a critical eye on their own practices and transforming their culture to be more customer-centric (78% of mature firms, compared to 53% of less mature firms).

› **Prioritize consistency across channels.** Customers have become conditioned to expect the same quality of experience from channel to channel, and a poor experience on one channel can sour any future experiences and possibly lead to a damaged reputation. Mature firms understand this, 77% are integrating digital channel experiences so they are consistent with each other, while only 38% of less mature firms are following suit (see Figure 6). Consistency across channels requires a platform that lets the IT infrastructure and marketing technology integrate and work together. Three-quarters of mature firms have upgraded their data platforms to be integrated and shared by all channels, compared to only 43% of less mature firms.

Figure 6

"How far along is your organization in working on the following digital customer experience technologies, tools, or processes?"
(Implemented/expanding or upgrading implementation)

■ High maturity   ■ Less maturity

Implementing personalized content consistently across channels

78%
43%

Upgrading data platforms to be integrated and shared by all channels

75%
43%

Integrating digital channel experiences so they are consistent with each other


77%
38%

Base: 509 professionals with responsibility for or influence over digital experience in NA and EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2018

FORRESTER®

Next Steps Toward Digital Experience Excellence

Our study shows that the bulk of firms have begun their DX journey. Once firms have mastered the basics of DX, it is time to think about innovating the delivery of world-class DX to customers, partners, and employees. Not every firm is going to be an innovation pioneer, but it is critical to move forward and constantly improve. The market is open for firms to make their mark by surprising and delighting customers. This begins by selecting a platform that addresses the needs of both IT and LOB to create alignment. Real innovation in digital experience requires co-creation, and it must start at the top with strong business, marketing, and technology leadership. The marketing leader at a health insurance provider told us: "In the past, marketing had to evolve faster than technology, because we were closer to the customer. We had to create a lot of workarounds, but people get tired of the workarounds. We now need to find better ways to work together."[5]

Take these next steps to move towards DX maturity:

› **Align IT and LOB to deliver world-class DX.** Organizations that do so will not only gain efficiency, but they will also start to rally around customers' needs with shared goals and metrics."[6] To deliver digitally enabled customer experiences, teams within the technology organization, the marketing organization, and business leaders need to work in unison. This isn't easy: In fact, 36% of digital experience delivery decision makers we surveyed felt that organizational challenges were the biggest barrier to the successful delivery of digital customer experience projects. Change management that pervades the entire organization will help facilitate and promote collaboration between these groups to foster a cohesive digital experience ecosystem.[7]

› **Allow each function to do what it does best.** Collaboration is critical to successful DX. The key is to allow these teams to work independently when they can. IT must have the freedom to experiment with new channels and technologies, while trusting that LOB will support them if they find a better way to build and deliver DX and vice versa. Collaboration should build trust and that in turn leads to more freedom to try new opportunities and take risks.

› **Start with measurement.** To really know if your DX strategy is working, you must measure. IT and LOB teams must come together and establish what their most important metrics are, and then track and measure them. Focus on measuring business outcomes, rather than technology performance. Don't just measure quantity-focused KPIs, focus on qualitative KPIs — from the perspective of your customers. Embrace deep and flexible data analysis for continuous process improvement.[8] Eighty-one percent of mature firms have recognized the need for improved measurement and are adding or improving their DX measurement, compared to only 44% of less mature firms.
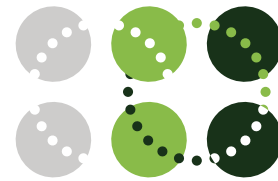
Nearly a third of both IT and LOB agree that integrated DX technologies and practices would allow them to deliver relevant and personalized experiences.

FORRESTER®

› **Understand the complexity of measurement.** Website traffic, profitability, and customer experience scores are all valuable, but most firms today are not looking deep enough into other critical metrics that can really help your DX strategy. Bounce rates, conversion rates, and lifetime value of a customer, for example, can help highlight areas of success and challenges for clients. By tracking these metrics over time, you can see if the changes you are making are having a positive impact or if they are not the right changes yet.

› **Once the basics are in place, focus on innovation.** Firms today are focused on basic challenges like budget and skill gaps. Having the budget to integrate tools and having the talent in place to use those tools and build processes are important, but firms must start to think bigger in order to be real leaders in the DX space. IT and LOB teams have different needs when delivering exceptional DX. IT and LOB both need: 1) support from new tools and technology for integration; 2) a more customer-focused culture; and 3) help creating a customer-focused culture that provides the space for innovative ideas. IT teams need more support than LOB teams when it comes to filling skill gaps and acquiring new tools to measure KPIs (see Figure 7). Overcome nascent challenges like static company cultures, organizational silos, and disconnected customer data by updating to an omnichannel, open-content delivery platform. Organizations can then personalize their digital experiences, maximize the existing value of their content, and break down the organizational silos that will enable world-class digital customer experiences. There are hundreds of digital touchpoints you might identify on a journey map. You can't address them all, so you must prioritize those that have the most impact. Your business and marketing stakeholders can categorize the business value of the interactions. You can ask customers about the benefits of each one. Armed with these two vectors — customer benefit and business value — you can narrow your focus and sequence your investments.[9]
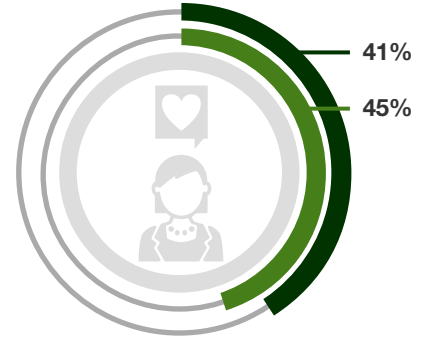
Figure 7

"What does your team or organization need to deliver exceptional digital experiences?"
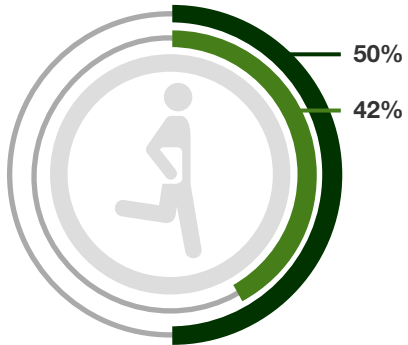
■ IT ■ LOB

New tools and technology to better integrate, build, and run digital experiences.
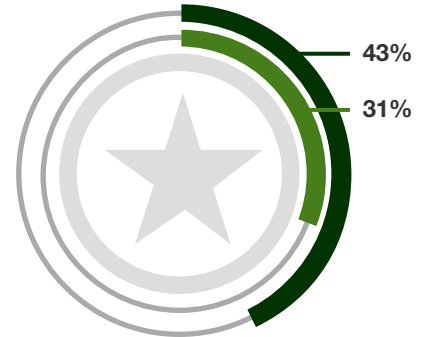
51%
53%
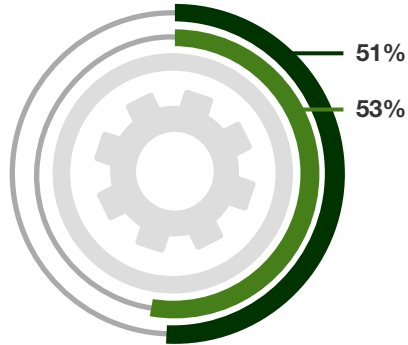
Help with creating a customer-focused culture that prioritizes innovation and digital excellence.

41%
45%

Internal training to address internal skill gaps.

50%
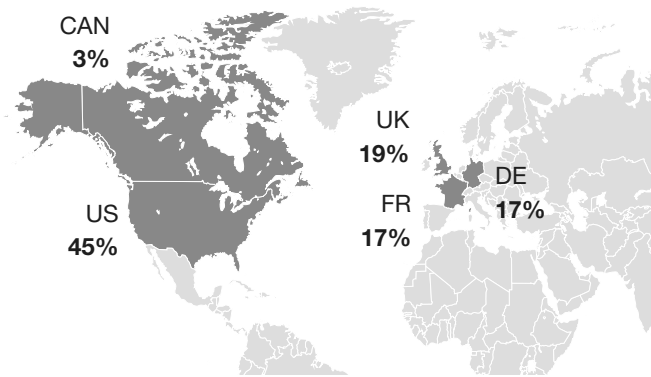42%

New tools to measure KPIs of our digital experiences.

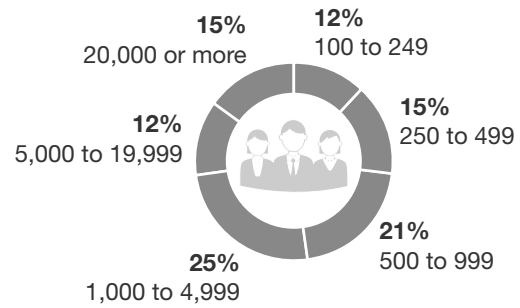43%
31%

Appendix A: Methodology

In this study, Forrester conducted an online survey of 509 digital customer experience strategy decision makers in North America and Europe to evaluate the need for enterprisewide collaboration to deliver world-class digital experiences (DX) to customers and how an omnichannel, open-content delivery platform is needed to deliver that DX. Survey participants included decision makers who were managers or higher. The study began in September 2018 and was completed in October 2018.
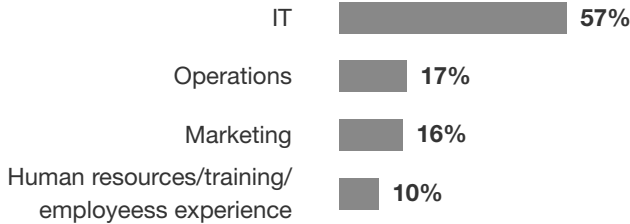
Appendix B: Demographics/Data
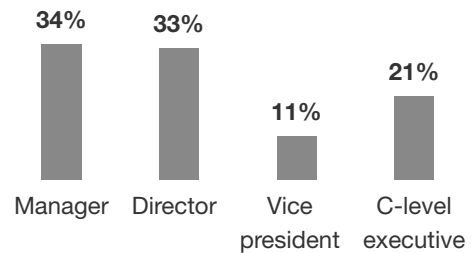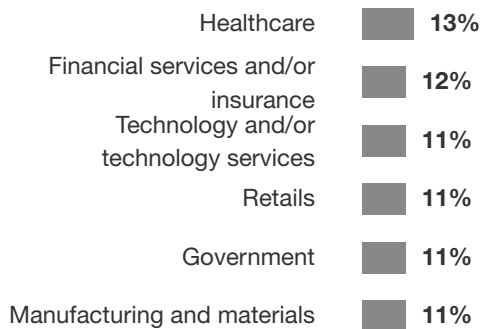
"In which country are you located?"

CAN **3%**
US **45%**
UK **19%**
FR **17%**
DE **17%**

COMPANY SIZE
(# of employees)

15% 20,000 or more
12% 100 to 249
12% 5,000 to 19,999
15% 250 to 499
25% 1,000 to 4,999
21% 500 to 999

POSITION/DEPARTMENT

IT	**57%**
Operations	**17%**
Marketing	**16%**
Human resources/training/employeess experience	**10%**

TITLES

Manager	Director	Vice president	C-level executive
34%	**33%**	**11%**	**21%**

INDUSTRY (TOP 6)

Healthcare	**13%**
Financial services and/or insurance	**12%**
Technology and/or technology services	**11%**
Retails	**11%**
Government	**11%**
Manufacturing and materials	**11%**

Base: 509 professionals with responsibility for or influence over digital experience in NA and EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2018

FORRESTER®

Appendix C: Endnotes

[1] Source: "Rethink Metrics To Gain DX Traction," Forrester Research, Inc., December 6, 2018.

[2] Source: "Building The Business Case For Your Digital Investments," Forrester Research, Inc., February 26, 2018.

[3] Source: "Combine Digital Measurements For Intelligent Engagement," Forrester Research, Inc., November 12, 2018.

[4] Source: "The State Of DX 2018: Priorities Thwarted By Legacy Foundations," Forrester Research, Inc., July 19, 2018.

[5] Source: "Implement Essential Change Management Practices To Improve Digital Experience Delivery," Forrester Research, Inc., August 8, 2018.

[6] Source: "Digital Experience Technology Integration: Go Beyond Just A Basket Of Solutions," Forrester Research, Inc., September 7, 2018.

[7] Source: "Implement Essential Change Management Practices To Improve Digital Experience Delivery," Forrester Research, Inc., August 8, 2018.

[8] Source: "Building The Business Case For Your Digital Investments," Forrester Research, Inc., February 26, 2018.

[9] Source: "Your Digital Experience Technology Strategy Starts With A Customer Journey Map," Forrester Research, Inc., August 15, 2018.

FORRESTER®